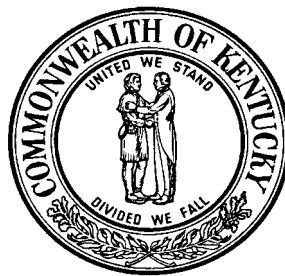


**REPORT OF THE AUDIT OF THE
OLDHAM COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OLDHAM COUNTY FISCAL COURT

June 30, 2008

The Auditor of Public Accounts has completed the audit of the Oldham County Fiscal Court for fiscal year ended June 30, 2008.

We have issued unqualified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Oldham County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Oldham County's major federal program: Highway Planning and Construction (CFDA #20.205).

Financial Condition:

The fiscal court had net assets of \$24,039,772 as of June 30, 2008. The fiscal court had unrestricted net assets of \$4,980,561 in its governmental activities as of June 30, 2008, with total net assets of \$24,013,185. In its business-type activities, total net cash and cash equivalents were \$26,587 with total net assets of \$26,587. The fiscal court's discretely presented component unit had net assets of \$7,407,175 as of June 30, 2008. The discretely presented component unit had net cash and cash equivalents of \$1,614,830. The fiscal court had total debt principal as of June 30, 2008 of \$9,366,000 with \$647,000 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2008 of \$16,102,515 with \$1,165,991 due within the next year.

Report Comments:

- 2008-1 Internal Control Over Payroll Should Be Strengthened
- 2008-2 Central Grant Management Procedures Should Be Improved
- 2008-3 Jail Canteen Lacks Adequate Segregation Of Duties Over Receipts And Expenditures
- 2008-4 Jail Receipts Procedures Should Be Strengthened

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Duane Murner, Oldham County Judge/Executive

Members of the Oldham County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Oldham County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Oldham County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Duane Murner, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oldham County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2009 on our consideration of Oldham County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2008-1 Internal Control Over Payroll Should Be Strengthened
- 2008-2 Central Grant Management Procedures Should Be Improved
- 2008-3 Jail Canteen Lacks Adequate Segregation Of Duties Over Receipts And Expenditures
- 2008-4 Jail Receipts Procedures Should Be Strengthened

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 30, 2009

OLDHAM COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Duane Murner	County Judge/Executive
Steve Church	Magistrate
David Voegele	Magistrate
Robert F. Leslie	Magistrate
Stephen Greenwell, Sr.	Magistrate
Iva Davis	Magistrate
Scott Davis	Magistrate
Rick Rash	Magistrate
Robert Deibel, Jr.	Magistrate

Other Elected Officials:

John R. Fendley	County Attorney
Mike Simpson	Jailer
Julie Lentz	County Clerk
Linda Mason	Circuit Court Clerk
Steve Sparrow	Sheriff
Ron Winters	Property Valuation Administrator
Brett Donner	Coroner

Appointed Personnel:

Stan Clark	County Treasurer
Shawn Boyle	Finance Officer

Oldham County Fiscal Court Management Analysis and Discussion Fiscal Year Ended June 30, 2008

Management's Discussion and Analysis

June 30, 2008

The financial management of Oldham County, Kentucky offers readers of Oldham County's financial statements this narrative overview and analysis of the financial activities of Oldham County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Oldham County's primary government had total net assets in governmental activities of \$24,013,185 as of June 30, 2008. The fiscal court had unrestricted net assets of \$4,980,561 in the governmental activities as of June 30, 2008, with total net assets of \$24,013,185. Oldham County had current liabilities as of June 30, 2008 of \$647,000 and total liabilities of \$9,366,000. This debt service includes \$4,041,000 for Courthouse renovations paid directly by Administrator of the Court (AOC), \$3,510,000 for the Oldham County Sewer District infrastructure, and \$1,815,000 for the Recreation Center Project.
- At the close of the current fiscal year, Oldham County governmental funds reported current assets of \$5,244,231, which is available for spending at the government's discretion (unreserved fund balance).
- Residential/commercial properties values remain stable. These activities continue to generate sustainable revenue for Oldham County.
- Oldham County has increased its' insurance premium tax to 10%, generating an estimated \$1.8 million in additional tax revenues.
- The 911-surcharge tax was increased by \$.50 on both residential and commercial phone lines generating an estimated \$200,000 additional tax revenues.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Oldham County's basic financial statements. Oldham County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Oldham County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Oldham County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Oldham County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Oldham County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, capital projects, and administration. Oldham County has business type activities—Jail Canteen Fund.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Oldham County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Oldham County can be divided into broad categories: *governmental funds, proprietary funds, and fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Governmental Funds

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Oldham County maintains (9) nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the (5) five major funds and is combined for the (4) four non-major funds.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund
- Oldham County Public Facilities Construction Corporation Fund

Non-major Funds:

- Central Dispatch Fund
- Local Emergency Planning Committee Fund
- Homeland Security Fund
- County Police Accounts Fund

Oldham County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets. A budgetary comparison statement has been provided for the General Fund, Road Fund, Jail Fund, and the Local Government Economic Assistance Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund financial statement provides separate information for the Jail Canteen Fund.

Fiduciary Funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government-wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has two fiduciary funds: Planning and Zoning Bond Escrow Fund and the County Police Seized Funds Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County As A Whole

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Oldham County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Assets						
Current and other assets	9,629,030	8,754,231	12,386	26,587	9,641,416	8,780,818
Capital assets	23,986,659	24,624,954			23,986,659	24,624,954
Total Assets	33,615,689	33,379,185	12,386	26,587	33,628,075	33,405,772
Liabilities						
Current and other liabilities	629,000	647,000			629,000	647,000
Long-term liabilities	9,366,000	8,719,000			9,366,000	8,719,000
Total Liabilities	9,995,000	9,366,000			9,995,000	9,366,000
Net Assets						
Invested in capital assets, net of related debt	13,991,659	18,768,954			13,991,659	18,768,954
Restricted	199,751	263,670			199,751	263,670
Unrestricted	9,429,279	4,980,561	12,386	26,587	9,441,665	5,007,148
Total Net Assets	23,620,689	24,013,185	12,386	26,587	23,633,075	24,039,772

Changes in Net Assets

Governmental Activities. Oldham County's net assets increased by \$392,496 in fiscal year 2008. Key elements of this are as follows:

- Current assets and cash decreased \$829,181.
- Investment in capital assets and infrastructure, net of related debt increased \$1,300,313.
- Current and long-term liabilities decreased by \$629,000, due to debt principal repaid.
- General revenues were \$10,244,116 and total revenues were \$18,941,312 as reflected in the Statement of Activities.
- Expenditures totaled \$18,548,816 as reflected in the Statement of Activities.

Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2008
(Continued)

Financial Analysis of the County As A Whole (Continued)

Table 2
Oldham County's Comparison
Of General Revenue by Source and
Program Expenses by Function

Governmental Activities		
	2007	2008
Revenue		
General Revenue	\$9,085,006	\$10,244,116
Charges for Services	2,453,899	2,696,865
Operating Grants and Contributions	1,747,505	4,530,087
Capital Grants and Contributions	1,265,368	1,470,244
Total Revenue	14,551,278	18,941,312
Expenses		
General Government	3,561,277	3,789,205
Protection to Persons and Property	6,004,669	6,552,756
General Health and Sanitation	921,890	1,872,967
Social Services	68,274	1,549,537
Recreation and Culture	978,698	946,222
Roads	1,989,616	2,010,027
Airports	-0-	67,076
Bus Services	183,720	123,152
Other Transportation Facilities and Services	232,208	911,752
Transportation Facilities and Survives	18,274	-0-
Debt Service	354,108	254,589
Capital Projects	67,029	481,533
Total Expenses	\$14,379,763	\$18,548,816

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County's Funds

As noted earlier, Oldham County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Oldham County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2008 fiscal year, the combined ending fund balances of County governmental funds were \$5,244,231. This amount consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has (5) five major governmental, and (4) four non-major funds.

Major Funds

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund
- Oldham County Public Facilities Construction Corporation Fund

Non-major Funds

- Central Dispatch Fund
- Homeland Security Fund
- Local Emergency Planning Committee Fund
- County Police Account Fund

1. The General Fund is the chief operating fund of Oldham County. At the end of June 30, 2008 fiscal year, unreserved fund balance of the General Fund was \$3,229,590. The County received \$7,579,825 in real and personal property, motor vehicle, and other taxes for approximately 40% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 60% of revenues.
2. The Road Fund is the fund related to County road construction and maintenance. The Road Fund had \$1,834,860 fund balance at June 30, 2008. The fiscal year 2008 expenditures for Road Fund were \$2,574,973.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2008 of \$(1,020). The Jail Fund received \$1,361,545 intergovernmental fees, primarily for housing prisoners. This represents a 38% increase from the prior year. The increase is primarily due to a 20% increase in jail capacity.
4. Public Facilities Construction Corporation Fund had a balance of \$207,583 at June 30, 2008.
5. Local Government Economic Assistance Fund had a balance of \$(64,011) at June 30, 2008.

**Oldham County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

Financial Analysis of the County's Funds (Continued)

6. The non-major governmental funds had a fund balance of \$37,229 at June 30, 2008.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Oldham County has (1) one proprietary fund:

- Jail Canteen Fund

The Jail Canteen Fund's net assets at the end of June 30, 2008 fiscal year, amounted to \$26,587.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2008, the Fiscal Court had no budget amendments to increase the general fund.

Capital Assets and Debt Administration

Capital Assets. Oldham County's investment in capital assets for its government and business type activities as of June 30, 2008, amounted to \$24,624,954 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvement. Oldham County has elected to report infrastructure assets per GASB 34 provisions.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Table 3
Oldham County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities	
	2007	2008
Infrastructure Assets	\$13,161,605	\$14,725,391
Land	1,348,711	1,348,711
Const. In Progress	191,036	385,562
Bldgs. & Improvements	16,231,606	16,731,005
Vehicles & Equip.	5,436,194	5,606,412
Less: Accumulated Depreciation	<u>(12,382,493)</u>	<u>(14,172,127)</u>
Total Net Assets	\$23,986,659	\$24,624,954

Long-Term Debt. At the end of the 2008 fiscal year, Oldham County had total bonded debt outstanding of \$9,366,000 from General Obligation Bonds, Revenue Bonds, and Financing Obligations. Additional information on the County's debt can be found in note 4 of the report.

**Oldham County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

Requests For Information

This financial report is designed to provide a general overview of Oldham County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Oldham County Finance Officer, Shawn Boyle, 100 West Jefferson Street, LaGrange, Kentucky, 40031

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OLDHAM COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

OLDHAM COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government			Component
	Governmental	Business-Type	Totals	Unit
	Activities	Activities		Oldham County Sewer District
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,079,828	\$ 26,587	\$ 5,106,415	\$ 1,614,830
Investments	164,403		164,403	1,704,562
Note Receivable	85,000		85,000	
Total Current Assets	5,329,231	26,587	5,355,818	3,319,392
Noncurrent Assets:				
Note Receivable	3,425,000		3,425,000	
Capital Assets				
Construction In Progress	385,562		385,562	393,776
Land and Land Improvements	1,348,711		1,348,711	108,700
Buildings	16,162,828		16,162,828	
Building Improvements	568,177		568,177	
Vehicles	2,937,662		2,937,662	194,122
Office Equipment				40,801
Equipment	2,668,750		2,668,750	286,478
Infrastructure	14,725,391		14,725,391	
Sewer Distribution System				
Treatment Plant				21,492,387
Less: Accumulated Depreciation	(14,172,127)		(14,172,127)	(2,325,966)
Total Noncurrent Assets	28,049,954		28,049,954	20,190,298
Total Assets	33,379,185	26,587	33,405,772	23,509,690
LIABILITIES				
Current Liabilities:				
Current Portion of Long-term Debt				1,165,991
General Obligation Bonds Payable	300,000		300,000	
Revenue Bonds Payable	170,000		170,000	
Financing Obligations Payable	177,000		177,000	
Total Current Liabilities	647,000		647,000	1,165,991
Noncurrent Liabilities:				
Long-term Debt				14,936,524
General Obligation Bonds Payable	3,965,000		3,965,000	
Revenue Bonds Payable	1,030,000		1,030,000	
Financing Obligations Payable	3,724,000		3,724,000	
Total Noncurrent Liabilities	8,719,000		8,719,000	14,936,524
Total Liabilities	9,366,000		9,366,000	16,102,515
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	18,768,954		18,768,954	5,792,345
Restricted For:				
Debt Service	207,583		207,583	
Grant Projects	56,087		56,087	
Unrestricted	4,980,561	26,587	5,007,148	1,614,830
Total Net Assets	\$ 24,013,185	\$ 26,587	\$ 24,039,772	\$ 7,407,175

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

OLDHAM COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,789,205	\$ 607,594	\$ 615,333	\$
Protection to Persons and Property	6,552,756	1,663,362	664,910	18,821
General Health and Sanitation	1,872,967	72,455	2,400,921	
Social Services	1,549,537			137,739
Recreation and Culture	946,222	245,154	46,339	390,239
Roads	2,010,027	108,300	228,487	923,445
Airports	67,076			
Bus Services	123,152			
Other Transportation Facilities and Services	911,752		574,097	
Interest on Long-term Debt	244,589			
Capital Projects	481,533			
Total Governmental Activities	18,548,816	2,696,865	4,530,087	1,470,244
Business-type Activities:				
Jail Canteen	146,816	161,017		
Total Business-type Activities	146,816	161,017		
Total Primary Government	\$ 18,695,632	\$ 2,857,882	\$ 4,530,087	\$ 1,470,244
Component Unit:				
Oldham County Sewer District	\$ 3,449,898	\$ 2,806,403		\$ 750,000

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Gain on Sale of Capital Assets

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Unit
\$ (2,566,278)	\$	\$ (2,566,278)	\$
(4,205,663)		(4,205,663)	
600,409		600,409	
(1,411,798)		(1,411,798)	
(264,490)		(264,490)	
(749,795)		(749,795)	
(67,076)		(67,076)	
(123,152)		(123,152)	
(337,655)		(337,655)	
(244,589)		(244,589)	
(481,533)		(481,533)	
(9,851,620)		(9,851,620)	
	14,201	14,201	
	14,201	14,201	
\$ (9,851,620)	\$ 14,201	\$ (9,837,419)	
			106,505
4,408,683		4,408,683	
21,575		21,575	
574,324		574,324	
3,820,951		3,820,951	
384,445		384,445	
214,358		214,358	
814,877		814,877	14,817
4,903		4,903	
			155,300
10,244,116		10,244,116	170,117
392,496	14,201	406,697	276,622
23,620,689	12,386	23,633,075	7,130,553
\$ 24,013,185	\$ 26,587	\$ 24,039,772	\$ 7,407,175

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

OLDHAM COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Public Facilities Construction Corporation Fund
ASSETS					
Cash and Cash Equivalents	\$ 3,065,187	\$ 1,834,860	\$	\$	\$ 207,583
Investments	164,403				
Total Assets	<u>3,229,590</u>	<u>1,834,860</u>			<u>207,583</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Cash Shortage			1,020	64,011	
Total Liabilities			<u>1,020</u>	<u>64,011</u>	
FUND BALANCES					
Unreserved:					
General Fund	3,229,590				
Special Revenue Funds		1,834,860	(1,020)	(64,011)	
Debt Service Fund					207,583
Total Fund Balances	<u>3,229,590</u>	<u>1,834,860</u>	<u>(1,020)</u>	<u>(64,011)</u>	<u>207,583</u>
Total Liabilities and Fund Balances	<u>\$ 3,229,590</u>	<u>\$ 1,834,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 207,583</u>

Reconciliation of the Balance Sheet - Governmental Funds To The Statement Of Net Assets

Total Fund Balances

Amounts Reported for Governmental Activities in the Statement

of Net Assets Are Different Because:

Notes Receivable Used in Governmental Activities Are Not Financial Resources
and Therefore Are Not Reported in the Funds

Capital Assets Used in Governmental Activities Are Not Financial Resources
and Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not
Reported in the Funds.

Financing Obligations

Revenue Bonds

General Obligation Bonds

Net Assets Of Governmental Activities

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 97,316	\$ 5,204,946
	164,403
<u>97,316</u>	<u>5,369,349</u>
<u>60,087</u>	<u>125,118</u>
<u>60,087</u>	<u>125,118</u>
	3,229,590
37,229	1,807,058
	207,583
<u>37,229</u>	<u>5,244,231</u>
<u>\$ 97,316</u>	<u>\$ 5,369,349</u>
	\$ 5,244,231
	3,510,000
	38,797,081
	(14,172,127)
	(3,901,000)
	(1,200,000)
	<u>(4,265,000)</u>
	<u>\$ 24,013,185</u>

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 7,014,825	\$ 600,000	\$	\$ 73,501
In Lieu of Tax Payments	565,000			
Excess Fees	384,445			
Licenses and Permits	470,462			
Intergovernmental	607,606	1,151,932	1,361,545	4,005,674
Charges for Services	531,382	105,300	198,494	
Miscellaneous	505,095	39,036	53,033	
Interest	137,628	63,894	605	2,100
Total Revenues	<u>10,216,443</u>	<u>1,960,162</u>	<u>1,613,677</u>	<u>4,081,275</u>
EXPENDITURES				
General Government	2,890,880			21,839
Protection to Persons and Property	3,427,498		2,028,917	10,256
General Health and Sanitation	906,270			1,174,499
Social Services	37,295			1,512,242
Recreation and Culture	793,139			398,254
Transportation Facilities and Services				
Roads		2,574,973		
Airports				67,076
Bus Services				123,152
Other Transportation Facilities and Services				911,752
Debt Service	589,785			
Capital Projects	13,000			468,533
Administration	602,228			
Total Expenditures	<u>9,260,095</u>	<u>2,574,973</u>	<u>2,028,917</u>	<u>4,687,603</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>956,348</u>	<u>(614,811)</u>	<u>(415,240)</u>	<u>(606,328)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	1,598,595	290,604	910,993	1,255,000
Transfers To Other Funds	(2,874,919)	(50,923)	(466,087)	(716,327)
Total Other Financing Sources (Uses)	<u>(1,276,324)</u>	<u>239,681</u>	<u>444,906</u>	<u>538,673</u>
Net Change in Fund Balances	(319,976)	(375,130)	29,666	(67,655)
Fund Balances - Beginning (Restated)	3,549,566	2,209,990	(30,686)	3,644
Fund Balances - Ending	<u>\$ 3,229,590</u>	<u>\$ 1,834,860</u>	<u>\$ (1,020)</u>	<u>\$ (64,011)</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Public Facilities Construction Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 572,207	\$ 8,260,533
		565,000
		384,445
		470,462
203,804	284,595	7,615,156
		835,176
	3,640	600,804
7,866	2,265	214,358
<u>211,670</u>	<u>862,707</u>	<u>18,945,934</u>
		2,912,719
	985,328	6,451,999
		2,080,769
		1,549,537
		1,191,393
		2,574,973
		67,076
		123,152
		911,752
203,804		793,589
		481,533
	13	602,241
<u>203,804</u>	<u>985,341</u>	<u>19,740,733</u>
<u>7,866</u>	<u>(122,634)</u>	<u>(794,799)</u>
	437,460	4,492,652
	<u>(384,396)</u>	<u>(4,492,652)</u>
	<u>53,064</u>	
7,866	(69,570)	(794,799)
199,717	106,799	6,039,030
<u>\$ 207,583</u>	<u>\$ 37,229</u>	<u>\$ 5,244,231</u>

The accompanying notes are an integral part of the financial statements.

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**OLDHAM COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

OLDHAM COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (794,799)
--	--------------

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	2,498,129
Depreciation Expense	(1,855,584)
Assets Disposed of, Net Book Value	(4,250)

Payment on Receivable Provides for Current Financial Resources to

Governmental Funds, while at the Government-wide Level, a Reduction of the Receivable Occurs. These Transactions Have No Effect on Net Assets.	(80,000)
--	----------

Financing Obligations and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. However, these Amounts Decrease Non-current Liabilities on the Statement of Net Assets and Have Been Eliminated on the Statement of Activities.

General Obligation Bond Principal Payments	295,000
Revenue Bond Principal Payments	165,000
Financing Obligation Principal Payments	169,000

Change in Net Assets of Governmental Activities	\$ 392,496
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OLDHAM COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

OLDHAM COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

	Business-Type Activity
	Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 26,587
Total Current Assets	<u>26,587</u>
Net Assets	
Unrestricted	<u>26,587</u>
Total Net Assets	<u><u>\$ 26,587</u></u>

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activity
	Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Revenues	\$ 161,017
Total Operating Revenues	<u>161,017</u>
Operating Expenses	
Cost of goods sold and other expenses	<u>146,816</u>
Total Operating Expenses	<u>146,816</u>
Operating Income	<u>14,201</u>
Change In Net Assets	14,201
Total Net Assets - Beginning	<u>12,386</u>
Total Net Assets - Ending	<u><u>\$ 26,587</u></u>

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

OLDHAM COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activity
	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Canteen receipts	\$ 161,017
Cost of goods sold and other expenses	<u>(146,816)</u>
Net Cash Provided By Operating Activities	<u>14,201</u>
 Net Increase in Cash and Cash Equivalents	 14,201
Cash and Cash Equivalents - July 1, 2007	<u>12,386</u>
 Cash and Cash Equivalents - June 30, 2008	 <u><u>\$ 26,587</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
 Operating Income	 <u>\$ 14,201</u>
 Net Cash Provided By Operating Activities	 <u><u>\$ 14,201</u></u>

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

OLDHAM COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Agency Funds</u>		
	<u>Planning and Zoning Bond Escrow Fund</u>	<u>County Police Seized Funds Fund</u>	<u>Total Agency Funds</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 371,097	\$ 34,683	\$ 405,780
Total Assets	<u>371,097</u>	<u>34,683</u>	<u>405,780</u>
Liabilities			
Amounts Held In Custody For Others	<u>371,097</u>	<u>34,683</u>	<u>405,780</u>
Total Liabilities	<u>371,097</u>	<u>34,683</u>	<u>405,780</u>
Net Assets			
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Oldham County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Oldham County Public Facilities Construction Corporation

The Public Facilities Construction Corporation (PFCC) was created for the financing and renovation of the Oldham County Courthouse and financing and construction of a recreation center. Fiscal Court has the authority to appoint a voting majority of the PFCC's board of directors and PFCC was deemed a component unit of the County. Financial information for the Public Facilities Construction Corporation is blended within Oldham County's financial statements and is presented as the Public Facilities Construction Corporation Fund.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The component unit's columns in the government-wide financial statements include the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Oldham County Sewer District

The Oldham County Sewer District (District) was created and exists pursuant to the provisions of KRS 67.083(3)(c), (h), and (r); KRS 67.715(2); and by the Fiscal Court. The District was created with the mission to provide a coordinated design and operational solution for wastewater service in Oldham County. The Fiscal Court appoints a majority of the District's board and the District was deemed a component unit of Oldham County Fiscal Court. The Oldham County Sewer District is included as a discretely presented component unit on Oldham County's financial statements and was audited by other auditors.

Audited financial statements for the Oldham County Sewer District, a discretely presented component unit, may be requested by contacting the Oldham County Sewer District, P.O. Box 809, Crestwood, Kentucky 40014.

Oldham County Airport Board

The Oldham County Airport Board was created to study whether a general aviation airport was feasible for Oldham County. The Board had no assets or activity on its own in fiscal year 2008.

C. Oldham County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Oldham County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Oldham County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department of Local Government requires the fiscal court to maintain these revenues and expenditures separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department of Local Government requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related expenditures. The primary sources of revenues for this fund are grants from the state and federal governments. This fund was reported as a non-major fund in the prior year.

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

The primary government also has the following non-major funds: County Police Accounts Fund, Central Dispatch Fund, Local Emergency Planning Committee Fund, and the Homeland Security Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Central Dispatch Fund, Local Emergency Planning Committee Fund, Homeland Security Fund, and the County Police Accounts Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Facilities Construction Corporation Fund is a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following agency funds:

Planning and Zoning Bond Escrow Fund - This fund accounts for funds received from contractors, which are held until a project is finished.

County Police Seized Funds Fund - This fund accounts for funds seized by the Oldham County Police and is held until the court system issues orders on what to do with the funds.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Oldham County Sewer District.

The component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are recorded at cost and changes in fair market value of investments are not recorded.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	20-25
Buildings and Building Improvements	\$ 5,000	10-60
Machinery and Equipment	\$ 5,000	3-20
Vehicles	\$ 5,000	3-12
Infrastructure	\$ 5,000	12-25

G. Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations is reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Facilities Construction Corporation Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Facilities Construction Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Oldham County Fiscal Court: Oldham County Ambulance Service and the Oldham County Public Library. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations and Joint Venture (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Oldham County Development Authority is considered a joint venture of the Oldham County Fiscal Court.

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1(d)). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2008, the County had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Cost</u>	<u>Rating</u>	<u>Concentration</u>
Primary Government:				
Federal Home Loan Bank Note	8/1/11	<u>\$ 164,403</u>	AAA	<u>1.00</u>
Total		<u><u>\$ 164,403</u></u>		<u><u>1.00</u></u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

As of June 30, 2008, the discretely presented component unit had the following investments:

Investments		Weighted Average Maturity in Years	Rating
Component Unit:			
State Bonds	\$ 300,000	28.92	A2
Federal Bonds	<u>1,404,562</u>	3.2	AAA
Total	<u>\$ 1,704,562</u>		

Interest Rate Risk. The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

Credit Risk and Concentration of Credit Risk. KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of Deposit issued by or other interest bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized rating agency. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of four specifically named investments as allowed by KRS 66.480: certificates of deposit issued by a bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; or securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency. The County had no investment policy that would further limit its investment choices. In general, U. S. government obligation or obligations guaranteed by the U. S. government are not subject to investment credit risk or concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2008, all investments were covered by either Securities Investors Protection Corporation (SIPC), Customer Asset Protection Company, a standard Form 14 bond underwritten by AIG, or Underwriters at London.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,348,711	\$	\$	\$ 1,348,711
Construction In Progress	191,036	300,364	(105,838)	385,562
Total Capital Assets Not Being Depreciated	1,539,747	300,364	(105,838)	1,734,273
Capital Assets, Being Depreciated:				
Buildings	15,795,246	367,582		16,162,828
Building Improvements	436,360	131,817		568,177
Vehicles	2,858,348	149,514	(70,200)	2,937,662
Equipment	2,577,846	90,904		2,668,750
Infrastructure	13,161,605	1,563,786		14,725,391
Total Capital Assets Being Depreciated	34,829,405	2,303,603	(70,200)	37,062,808
Less Accumulated Depreciation For:				
Buildings	(3,346,969)	(297,665)		(3,644,634)
Building Improvements	(123,267)	(37,951)		(161,218)
Vehicles	(1,761,574)	(310,176)	65,950	(2,005,800)
Equipment	(1,274,389)	(293,659)		(1,568,048)
Infrastructure	(5,876,294)	(916,133)		(6,792,427)
Total Accumulated Depreciation	(12,382,493)	(1,855,584)	65,950	(14,172,127)
Total Capital Assets, Being Depreciated, Net	22,446,912	448,019	(4,250)	22,890,681
Governmental Activities Capital Assets, Net	\$ 23,986,659	\$ 748,383	\$ (110,088)	\$ 24,624,954

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 330,560
Protection to Persons and Property	315,645
General Health and Sanitation	32,632
Recreation and Culture	128,955
Roads, Including Depreciation of General Infrastructure Assets	<u>1,047,792</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,855,584</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the discretely presented component unit for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 108,700	\$	\$	\$ 108,700
Construction In Progress	5,355,330	842,924	(5,804,478)	393,776
Total Capital Assets Not Being Depreciated	5,464,030	842,924	(5,804,478)	502,476
Capital Assets, Being Depreciated:				
Sewer Distribution System/ Treatment Plant	15,390,623	6,101,764		21,492,387
Office Euipment	39,181	1,620		40,801
Equipment	269,384	17,094		286,478
Vehicles	156,661	37,461		194,122
Total Capital Assets Being Depreciated	15,855,849	6,157,939		22,013,788
Less Accumulated Depreciation	(1,677,783)	(648,183)		(2,325,966)
Total Capital Assets, Being Depreciated, Net	14,178,066	5,509,756		19,687,822
Capital Assets, Net	\$ 19,642,096	\$ 6,352,680	\$ (5,804,478)	\$ 20,190,298

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Oldham County Sewer District	<u>\$ 648,183</u>
Total Depreciation Expense - Component Unit	<u>\$ 648,183</u>

Note 4. Long-term Debt

A. Fiscal Court Building-Financing Obligations

On June 8, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,381,000 at 5.49 percent for work on the Oldham County Fiscal Court Building. The lease was refinanced on May 7, 2001. The lease term for this agreement is 11 years at an interest rate of 4.2% with the balance to be paid in full January 20, 2012. The principal balance on the lease was \$391,000 as of June 30, 2008. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

A. Fiscal Court Building-Financing Obligations (Continued)

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Scheduled Interest
2009	\$ 92,000	\$ 17,215
2010	96,000	12,643
2011	100,000	7,876
2012	103,000	2,933
Totals	<u>\$ 391,000</u>	<u>\$ 40,667</u>

B. Sewer District-Financing Obligations and Note Receivable

On June 14, 2001, the fiscal court on behalf of the Oldham County Sewer District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$4,000,000 at an interest rate of 4.94% for acquisition of various local wastewater treatment facilities, renovation thereto, and the professional and administrative fees incurred in this acquisition. The lease term is for 30 years with the balance to be paid in full on January 20, 2031. The Oldham County Sewer District makes the principal and interest payments to National City Bank (the trustee). The principal and note receivable balance on the lease was \$3,510,000 as of June 30, 2008. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Scheduled Interest
2009	\$ 85,000	\$ 198,797
2010	85,000	193,974
2011	90,000	188,952
2012	95,000	183,683
2013	100,000	178,129
2014-2018	590,000	796,096
2019-2023	765,000	602,973
2024-2028	975,000	357,234
2029-2031	725,000	67,069
Totals	<u>\$ 3,510,000</u>	<u>\$ 2,766,907</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

C. General Obligation Bonds, Series 2002-Fiscal Court Building

Oldham County Fiscal Court issued general obligation bonds of \$3,170,000, series 2002, dated June 20, 2002, to finance a portion of the costs of acquiring, constructing and equipping additions to the county courthouse annex (the fiscal court building). These bonds were issued at varying interest rates ranging from 2.250% to 4.7%, and will be retired by June 1, 2022. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 130,000	\$ 107,291
2010	135,000	102,481
2011	145,000	97,284
2012	150,000	91,556
2013	155,000	85,482
2014-2018	875,000	322,713
2019-2022	860,000	103,040
Totals	<u>\$ 2,450,000</u>	<u>\$ 909,847</u>

D. First Mortgage Revenue Bond, Refunding Series 2004-Courthouse

Oldham County Public Facilities Construction Corporation issued first mortgage revenue bonds; series 2004, dated November 1, 2004, to advance refund the 1994 series, which was used to fund renovation of the Oldham County Courthouse. The 2004 series bonds were issued at varying interest rates ranging from 1.9% to 3.5%, and will be retired by June 1, 2022. Interest payments are due on February 1 and interest and principal August 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 170,000	\$ 34,822
2010	175,000	30,248
2011	180,000	25,097
2012	185,000	19,484
2013	190,000	13,435
2014-2015	300,000	8,650
Totals	<u>\$ 1,200,000</u>	<u>\$ 131,736</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

E. General Obligation Bonds, Refunding Series 2006-Recreation Center

Oldham County Fiscal Court issued general obligation bonds of \$2,160,000; series 2006, dated July 1, 2006, to advance refund the Oldham County Public Facilities Construction Corporation Mortgage Revenue Bonds (Recreation Center Project), Series 1997, dated June 1, 1997. The 2006 series bonds were issued at varying interest rates ranging from 3.7% to 4.0%, and will be retired by June 1, 2017. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 170,000	\$ 69,260
2010	180,000	62,970
2011	190,000	56,310
2012	195,000	49,280
2013	200,000	42,065
2014-2017	880,000	88,925
Totals	<u>\$ 1,815,000</u>	<u>\$ 368,810</u>

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,560,000	\$	\$ 295,000	\$ 4,265,000	\$ 300,000
Revenue Bonds	1,365,000		165,000	1,200,000	170,000
Financing Obligations	<u>4,070,000</u>		<u>169,000</u>	<u>3,901,000</u>	<u>177,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 9,995,000</u>	<u>\$ 0</u>	<u>\$ 629,000</u>	<u>\$ 9,366,000</u>	<u>\$ 647,000</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

G. Long-term Liabilities - Component Unit

Oldham County Sewer District's long-term debt at June 30, 2008 consists of the following:

	<u>2008</u>
Lease payable to Kentucky Association of Counties Leasing Trust (KACoLT) requiring annual debt payments with monthly interest and fees of 5.62%, maturing January 2031. Guaranteed by the Oldham County Fiscal Court.	\$ 3,510,000
Lease payable to Kentucky League of Cities (KLC) requiring interest only until July 2008 with interest and fees of 4.372% and 4.85% at June 30, 2008 and 2007, respectively, maturing July 2018.	7,815,000
Note payable to Kentucky Infrastructure Authority requiring semiannual principal payments with interest and fees of 4.3%, maturing June 2021. Secured by sewer system revenues.	4,753,884
Note payable to Caterpillar Financial requiring monthly payments of \$2,273, including interest imputed at 5.8%, maturing March 2009. Secured by related equipment.	20,454
Note payable to Duplicator Sales requiring monthly payments of \$138, including interest imputed at 5.8%, maturing May 2010. Secured by related copier.	<u>3,177</u>
Total long-term debt	16,102,515
Less current portion	<u>(1,165,991)</u>
Total non-current long-term debt	<u>\$ 14,936,524</u>

Based on the general bond resolution related to the Kentucky Infrastructure Authority (section 711), the Oldham County Sewer District (District) is required to maintain a debt service ratio of (a) 1.20 times coverage of annual principal, interest, and sinking fund requirements on all bonds and (b) 1.10 times coverage of annual principal, interest and sinking fund requirements on all bonds and subordinated debt. The District is not in compliance with these requirements at June 30, 2008 (the debt service coverage ratio was 0.6 at June 30, 2008).

During 2008, the lease payable to KLC was refinanced by Oldham County Fiscal Court on behalf of the District. Under the terms of the refinanced lease, the District will pay \$770,000 on July 15, 2008 and will have reduced principal payments until July 15, 2018 when a balloon payment of \$5,445,000 is due.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

G. Long-term Liabilities - Component Unit (Continued)

Future required payments of long-term debt for the Oldham County Sewer District are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest	Net Fees	Total
2009	\$ 1,165,991	\$ 566,360	\$ 103,861	\$ 1,836,212
2010	536,480	544,915	100,685	1,182,080
2011	561,467	524,107	97,875	1,183,449
2012	583,416	502,851	95,028	1,181,295
2013	605,822	480,331	92,001	1,178,154
2014-2018	3,427,520	2,031,522	410,333	5,869,375
2019-2023	7,521,819	634,259	81,135	8,237,213
2024-2028	975,000	314,685	42,549	1,332,234
2029-2032	725,000	59,115	7,993	792,108
Totals	<u>\$ 16,102,515</u>	<u>\$ 5,658,145</u>	<u>\$ 1,031,460</u>	<u>\$ 22,792,120</u>

Long-term debt activity of the Oldham County Sewer District for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
KACoLT Lease Payable	\$ 3,590,000	\$	\$ 80,000	\$ 3,510,000
KLC Lease Payable	7,815,000			7,815,000
Note Payable	5,032,090		278,206	4,753,884
Caterpillar Financial	47,727		27,273	20,454
Duplicator Sales		3,315	138	3,177
Total Long-term Liabilities	<u>\$ 16,484,817</u>	<u>\$ 3,315</u>	<u>\$ 385,617</u>	<u>\$ 16,102,515</u>

Note 5. Commitment

Oldham County Development Authority, a joint venture of Oldham County Fiscal Court and City of LaGrange, issued General Obligation Lease Revenue Notes, 2005 Series A, 2005 Series B, 2005 Series C, and 2005 Series D dated July 1, 2005 for \$10,000,000, for the purchase of land and infrastructure improvements thereto, to be used for economic development purposes. These bonds were issued at varying interest rates ranging from 3.75% to 4.4%, and will be retired by December 1, 2030. Interest payments are due on June 1 and interest and principal December 1. The first interest payment was made December 1, 2005, and the first principal payment is not due until December 1, 2008.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Employee Retirement System

The fiscal court and the Oldham County Sewer District, a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost –sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent. The county's contribution for FY 2006 was \$894,101, for FY 2007 was \$1,056,597, and for FY 2008 \$1,265,776 and was equal to the required contributions.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000, the Oldham County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2008, Oldham County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 9. Fund Balance - Deficit

As of June 30, 2008, the Jail Fund, Local Government Economic Assistance Fund, and the Central Dispatch Fund had deficit balances in the amount of \$1,020, \$64,011, and \$60,087 respectively. These deficits were due to the timing of transfers of funds. These deficits were eliminated with the deposit of funds after June 30, 2008.

Note 10. Prior Period Adjustments

The beginning net assets of the governmental activities were increased by \$33,018, due to errors in capital asset depreciation in prior years and decreased by \$39,382, due to the County Police Seized Funds Fund being moved from a Governmental Fund to a Fiduciary Fund. The resulting net change in net assets of governmental activities is (\$6,364). The County Police Account's Fund (non-major) was also decreased by \$39,382 because this amount was previously recorded in this governmental fund but is now recorded in a fiduciary fund.

Note 11. Subsequent Event

On December 1, 2008 Oldham County Fiscal Court issued general obligation bonds of \$5,438,377, for the purpose of refinancing some of the bonds issued by the Oldham County Development Authority.

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,621,880	\$ 6,621,880	\$ 7,014,825	\$ 392,945
In Lieu Taxes Payments			565,000	565,000
Excess Fees	300,000	300,000	384,445	84,445
Licenses and Permits	606,000	606,000	470,462	(135,538)
Intergovernmental Revenue	663,200	663,200	607,606	(55,594)
Charges for Services	345,365	345,365	531,382	186,017
Miscellaneous	667,000	667,000	505,095	(161,905)
Interest	100,000	100,000	137,628	37,628
Total Revenues	<u>9,303,445</u>	<u>9,303,445</u>	<u>10,216,443</u>	<u>912,998</u>
EXPENDITURES				
General Government	2,814,336	2,920,126	2,890,880	29,246
Protection to Persons and Property	3,692,449	3,681,659	3,427,498	254,161
General Health and Sanitation	840,320	1,094,779	906,270	188,509
Social Services	38,100	38,059	37,295	764
Recreation and Culture	851,185	902,983	793,139	109,844
Debt Service	1,176,055	686,314	589,785	96,529
Capital Projects		13,000	13,000	
Administration	678,900	528,900	602,228	(73,328)
Total Expenditures	<u>10,091,345</u>	<u>9,865,820</u>	<u>9,260,095</u>	<u>605,725</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(787,900)</u>	<u>(562,375)</u>	<u>956,348</u>	<u>1,518,723</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			1,598,595	1,598,595
Transfers To Other Funds			(2,874,919)	(2,874,919)
Total Other Financing Sources (Uses)			<u>(1,276,324)</u>	<u>(1,276,324)</u>
Net Changes in Fund Balance	(787,900)	(562,375)	(319,976)	242,399
Fund Balance - Beginning	<u>787,900</u>	<u>787,900</u>	<u>3,549,566</u>	<u>2,761,666</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 225,525</u>	<u>\$ 3,229,590</u>	<u>\$ 3,004,065</u>

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 669,500	\$ 669,500	\$ 600,000	\$ (69,500)
Intergovernmental Revenue	760,030	760,030	1,151,932	391,902
Charges for Services			105,300	105,300
Miscellaneous	754,000	754,000	39,036	(714,964)
Interest	7,500	7,500	63,894	56,394
Total Revenues	<u>2,191,030</u>	<u>2,191,030</u>	<u>1,960,162</u>	<u>(230,868)</u>
EXPENDITURES				
Roads	2,650,146	2,650,146	2,574,973	75,173
Administration				
Total Expenditures	<u>2,650,146</u>	<u>2,650,146</u>	<u>2,574,973</u>	<u>75,173</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(459,116)</u>	<u>(459,116)</u>	<u>(614,811)</u>	<u>(155,695)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			290,604	290,604
Transfers To Other Funds		(51,000)	(50,923)	77
Total Other Financing Sources (Uses)		<u>(51,000)</u>	<u>239,681</u>	<u>290,681</u>
Net Changes in Fund Balance	(459,116)	(510,116)	(375,130)	134,986
Fund Balance - Beginning	<u>459,116</u>	<u>459,116</u>	<u>2,209,990</u>	<u>1,750,874</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (51,000)</u>	<u>\$ 1,834,860</u>	<u>\$ 1,885,860</u>

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,381,823	\$ 1,381,823	\$ 1,361,545	\$ (20,278)
Charges for Services	169,000	169,000	198,494	29,494
Miscellaneous	23,000	23,000	53,033	30,033
Interest	150	150	605	455
Total Revenues	<u>1,573,973</u>	<u>1,573,973</u>	<u>1,613,677</u>	<u>39,704</u>
EXPENDITURES				
Protection to Persons and Property	<u>2,033,767</u>	<u>2,091,367</u>	<u>2,028,917</u>	<u>62,450</u>
Total Expenditures	<u>2,033,767</u>	<u>2,091,367</u>	<u>2,028,917</u>	<u>62,450</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(459,794)</u>	<u>(517,394)</u>	<u>(415,240)</u>	<u>102,154</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			910,993	910,993
Transfers To Other Funds		(500,000)	(466,087)	33,913
Total Other Financing Sources (Uses)		<u>(500,000)</u>	<u>444,906</u>	<u>944,906</u>
Net Changes in Fund Balance	(459,794)	(1,017,394)	29,666	1,047,060
Fund Balance - Beginning	<u>459,794</u>	<u>459,794</u>	<u>(30,686)</u>	<u>(490,480)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (557,600)</u>	<u>\$ (1,020)</u>	<u>\$ 556,580</u>

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

Local Government Economic Assistance Fund				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 80,000	\$ 80,000	\$ 73,501	\$ (6,499)
Intergovernmental Revenue	7,301,630	7,301,630	4,005,674	(3,295,956)
Interest	1,000	1,000	2,100	1,100
Total Revenues	7,382,630	7,382,630	4,081,275	(3,301,355)
EXPENDITURES				
General Government		22,000	21,839	161
Protection to Persons and Property		11,000	10,256	744
General Health and Sanitation	1,219,000	1,621,758	1,174,499	447,259
Social Services	915,000	1,512,242	1,512,242	
Recreation and Culture	1,490,000	1,242,847	398,254	844,593
Airports		70,000	67,076	2,924
Bus Services	253,500	188,500	123,152	65,348
Other Transportation Facilities and Services	2,843,750	1,185,750	911,752	273,998
Capital Projects	661,380	468,533	468,533	
Total Expenditures	7,382,630	6,322,630	4,687,603	1,635,027
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		1,060,000	(606,328)	(1,666,328)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			1,255,000	1,255,000
Transfers To Other Funds		(725,000)	(716,327)	8,673
Total Other Financing Sources (Uses)		(725,000)	538,673	1,263,673
Net Changes in Fund Balance		335,000	(67,655)	(402,655)
Fund Balance - Beginning			3,644	3,644
Fund Balance - Ending	\$ 0	\$ 335,000	\$ (64,011)	\$ (399,011)

OLDHAM COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**OLDHAM COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

OLDHAM COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Central Dispatch Fund	Local Emergency Planning Committee Fund	Homeland Security Fund	County Police Accounts Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$	\$ 1,664	\$ 9,889	\$ 85,763	\$ 97,316
Total Assets		1,664	9,889	85,763	97,316
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Cash Shortage	60,087				60,087
Total Liabilities	60,087				60,087
FUND BALANCES					
Unreserved:					
Special Revenue Funds	(60,087)	1,664	9,889	85,763	37,229
Total Fund Balances	(60,087)	1,664	9,889	85,763	37,229
Total Liabilities and Fund Balances	\$ 0	\$ 1,664	\$ 9,889	\$ 85,763	\$ 97,316

The accompanying notes are an integral part of the financial statements.

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OLDHAM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

OLDHAM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	Central Dispatch Fund	Local Emergency Planning Committee Fund	Homeland Security Fund
REVENUES			
Taxes	\$ 572,207	\$	\$
Intergovernmental	85,620	2,078	141,404
Miscellaneous	3,640		
Interest	405	7	
Total Revenues	<u>661,872</u>	<u>2,085</u>	<u>141,404</u>
EXPENDITURES			
Protection to Persons and Property	937,475	455	
Administration	13		
Total Expenditures	<u>937,488</u>	<u>455</u>	
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(275,616)</u>	<u>1,630</u>	<u>141,404</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	437,460		
Transfers To Other Funds	(234,396)		(150,000)
Total Other Financing Sources (Uses)	<u>203,064</u>		<u>(150,000)</u>
Net Change in Fund Balances	(72,552)	1,630	(8,596)
Fund Balances - Beginning	12,465	34	18,485
Fund Balances - Ending	<u>\$ (60,087)</u>	<u>\$ 1,664</u>	<u>\$ 9,889</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

County Police Accounts Fund	Total Non-Major Governmental Funds
\$	\$
55,493	572,207
	284,595
	3,640
1,853	2,265
57,346	862,707
47,398	985,328
	13
47,398	985,341
9,948	(122,634)
	437,460
	(384,396)
	53,064
9,948	(69,570)
75,815	106,799
\$ 85,763	\$ 37,229

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2008

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Department for Local Government Community Development Block Grant (CFDA 14.228)		\$ 240,312
<u>U.S. Department of the Interior</u>		
Passed Through Department for Local Government Outdoor Recreation Acquisition, Development and Planning - Conservation Park (CFDA 15.916)	KY 050707-0762	13,000
<u>U.S. Department of Justice</u>		
Direct Program:		
Drug Enforcement Administration - Reimbursement of Overtime (CFDA 16.N/A)	Not Available	10,482
Federal Drug Forfeiture Acct (CFDA 16.N/A)	Not Available	<u>47,398</u>
Total U.S. Department of Justice		57,880
<u>U.S. Department of Transportation</u>		
Passed-Through Kentucky Transportation Cabinet:		
Highway Planning and Construction- (CFDA 20.205)		
Rail Underpass	05-434	305,384
Interurban Greenways Project	C-02286591	33,582
Bike and Pedestrian Trail	C-06044968	52,800
Transit Express Bus Demonstration	C-05262512	82,263
Local (Section 5311)	KY18X23	<u>52,403</u>
Total U.S. Department of Transportation		526,432

OLDHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2008
(Continued)

Program Title <u>Grant Name (CFDA #)</u>	Pass-Through <u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency</u>		
Passed Through State Department for Environmental Protection:		
Nonpoint Source Implementation Grants (CFDA 66.460)	C-9994861-06	\$ 187,784
<u>U.S. Department of Health and Human Services</u>		
Passed-Through State Department of Health and Family Services:		
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers (CFDA 93.044)	Not Available	<u>728</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,026,136</u></u>

OLDHAM COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2008

- Note 1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oldham County Fiscal Court and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Duane Murner, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 30, 2009. Oldham County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oldham County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oldham County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oldham County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1, 2008-2, 2008-3, and 2008-4 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Oldham County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Oldham County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

April 30, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Duane Murner, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Oldham County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Oldham County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oldham County's management. Our responsibility is to express an opinion on Oldham County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oldham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oldham County's compliance with those requirements.

In our opinion, Oldham County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Oldham County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oldham County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oldham County's internal control over compliance.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control. We consider the item above to be a material weakness.

The Oldham County Judge/Executive's response to the finding identified in our audit is included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

April 30, 2009

OLDHAM COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008

**OLDHAM COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County.
2. Four significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. The reported deficiencies are also considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Oldham County were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report. The reported deficiency is also considered a material weakness.
5. The auditor's report on compliance for the audit of the major federal awards programs for Oldham County expresses an unqualified opinion.
6. There is one finding relative to the major federal awards programs for Oldham County reported in Part C of this schedule.
7. The program tested as a major program was: Highway Planning and Construction (CFDA #20.205).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Oldham County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES

2008-1 Internal Control Over Payroll Should Be Strengthened

During the review of payroll, we noted the following:

- There were an excessive number of overrides in the ADP system. Auditors obtained exception reports for Planning and Zoning, Road, and Animal Control for the time period July 1, 2008 through September 30, 2008. The road exception report had 11 employees and 36 changes. The planning and zoning report had 4 employees and 56 changes. Animal control had 4 employees and 138 changes. Due to the numerous overrides, it creates concern that employees may be getting paid for time not worked or not getting paid for time worked.
- The fiscal court does not have a policy that determines which employees are hourly and which employees are salaried.
- Personnel files lack current forms such as employee evaluations.
- Payroll officer does not report to an individual knowledgeable of the payroll system and process.

Per the County's administrative code (ordinance 05-200-305), "Employees shall accurately record the time they begin and end their work." According to KRS 337.320, "every employer shall keep a good record of hours worked each day and each week by each employee." Good internal controls dictate that payroll records are accurate and properly maintained.

OLDHAM COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2008-1 Internal Control Over Payroll Should Be Strengthened (Continued)

We recommend the following:

- All employees clock in and out using the ADP system except elected officials.
- The only employees that can override ADP should be the payroll officer, treasurer, CFO, and jailer for jail employees.
- The payroll officer should report to the CFO.
- The payroll officer should provide an exception report to the CFO for review and approval every pay period.
- The payroll officer should update personnel files in a timely manner.
- The Oldham County Employee Handbook should be updated for policies implemented.

County Judge/Executive Duane Murner's Response:

1) Hourly employees will continue to use the time clocks and the salaried employees will continue to use time sheets. The payroll officer will ensure that the time sheets are turned in one day prior to payroll and that the accrual and use of comp time is accurately documented.

2) The directors will no longer be authorized to change hand punches or correct missed punches. (See attached memo for new payroll procedures.)(Presented as Appendix B) The CFO and County Treasurer will be back up to the payroll officer when hand or missed punches need to be corrected in her absence.

3) The payroll officer will continue to report to the Deputy Judge.

4) The payroll officer will submit an exception report to the Deputy Judge for review and approval each pay period.

5) The payroll officer will complete the back filing and thereafter will file on a weekly basis to ensure updated information is in the employee personnel files.

6) The payroll officer will create a payroll procedure manual and amend the employee handbook to include the procedures if deemed appropriate.

2008-2 Central Grant Management Procedures Should Be Improved

During the audit of federal awards, we noted the following about Grants Management and offer corresponding recommendations:

- Oldham County Fiscal Court does not have clear, organized records or grant files to support grant activity. Since the county aggressively seeks out new grants, proper emphasis should be placed on grant administration. The county should ensure that grant files and records are organized and clearly identify which grant they apply to, that grant administrators have all necessary information for each grant, and that grant administrators understand all applicable federal compliance requirements.

OLDHAM COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2008-2 Central Grant Management Procedures Should Be Improved (Continued)

- Account names used to identify grants from different sources are not always clear, which led to some expenditures to be miscoded. The county should clarify which grant relates to which account code and provide this information to person responsible for coding invoices. The account names should be made more clear and accurately describe the intended grant.
- Planning and Zoning, or any other entity that manages grant funds, should better communicate grant requirements and activity, including the local matching requirements, to the CFO.
- The person responsible for grants in Planning and Zoning was not aware of the federal requirement to check suspension and debarment of contractors. Responsibility for checking suspension and debarment of contractors should be assigned to someone knowledgeable of this requirement. Evidence of this should be kept in the applicable grant file.

County Judge/Executive Duane Murner's Response: All County employees that are administering grants will receive proper training in 2009/2010. Written procedures for grant administration within Oldham County Government will be implemented in F09/F10. The County has started a formal capital improvement process that will increase the communications between and among County departments. This process will also formalize the steps needed to apply and administered any/all County grants.

2008-3 Jail Canteen Lacks Adequate Segregation Of Duties Over Receipts And Expenditures

The Bookkeeper makes the deposits, signs most checks, makes entries into the Keefe accounting system, and performs bank reconciliations. The result of one person performing all of these duties increases the likelihood that errors or fraud could occur and go undetected by the internal control system. We recommend the following:

- Jailer review and initial bank reconciliations.
- Jailer review and initial monthly reports.

County Jailer Mike Simpson's Response: We have implemented this procedure at the start of fiscal year 2009/10.

2008-4 Jail Receipts Procedures Should Be Strengthened

The Jailer should prepare a receipt for all cash and money orders received. Currently, not all transactions generate a receipt. The bookkeeper prints daily activity from the computer system to compare to the deposit. This creates a weakness in internal control; as there may be some way to post transactions in the system, i.e. put money on an inmate account, without hitting the daily activity report. Then cash could be removed from the deposit without the Jailer or bookkeeper's knowledge. In addition to this weakness, we noted the following:

- Jail personnel use multiple receipt books for booking fees and per diem.
- Jail personnel use multiple receipt books for inmate canteen transactions.
- A daily check out sheet is not prepared.
- Deposits are not made daily.
- The canteen receipt book is not unique to the jail, can be purchased anywhere.
- Not all canteen receipts identify the inmate receiving the funds.

OLDHAM COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES (Continued)

2008-4 Jail Receipts Procedures Should Be Strengthened (Continued)

- Not all canteen receipts are initialed or signed by jail personnel.

We recommend the following:

- Purchase canteen receipts that are specifically for the Oldham County Jail Canteen.
- Only use one receipt book at a time for booking fees, etc.
- Only use one receipt book at a time for canteen transactions.
- Ensure that receipts are completed with all necessary identifying information and signed by jail personnel.
- Prepare daily checkout sheets.
- Deposit funds daily.

County Jailer Mike Simpson's Response: We will purchase specific receipts for the canteen money.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2008-2 Central Grant Management Procedures Should Be Improved

Federal Program: CFDA #20.205 - Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Compliance Area: All

Amount of Questioned Costs: \$0

This finding can be found in its entirety in Part B of this schedule.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

OLDHAM COUNTY FISCAL COURT

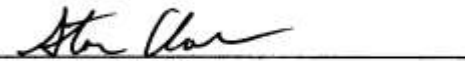
**For The Fiscal Year Ended
June 30, 2008**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
OLDHAM COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Oldham County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Duane Murner
County Judge/Executive


Stan Clark
County Treasurer

**ORDINANCE NO. KOC 08-120-776
OLDHAM COUNTY FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**

COMMONWEALTH OF KENTUCKY

OLDHAM COUNTY

ORDINANCE NO. KOC 08-120-776

WHEREAS, and pursuant to its responsibility to promulgate an Administrative Code under KRS Chapter 68, and to amend ordinances pertaining thereto: and,

WHEREAS, KRS 67, and KRS 337, etc., requires Fiscal Court to establish rules of timekeeping for employees, and to keep records thereof; and,

WHEREAS, Under its authority to administer the governance of the County and manage the personnel of the Oldham Fiscal Court, the County Judge Executive has installed timekeeping devices for hourly employees; and,

WHEREAS, Oldham Fiscal Court has advertised and held a public meeting on the requested amendment to the Oldham County Administrative Code, said amendment having received an affirmative vote of the Court on July 17, 2008.

NOW, THEREFORE, BE IT ORDAINED BY THE FISCAL COURT OF THE COUNTY OF OLDHAM, THAT:

(1) The following language of the administrative code identified as subsection (E) of Section 3.1 is **deleted**:

Attendance records shall be maintained, as part of the payroll system as determined by Human Resources and the County Treasurer,

Employees should accurately record the time they begin and end their work, as well as the beginning and ending time of any split shift or departure from work for personal reasons. Overtime work must always be approved before it is performed by the department director.

Altering, falsifying, tampering with time records, or recording time on another employee's time record will result in disciplinary action, up to and including termination of employment.

Nonexempt employees should not report to work more than 7.5 minutes prior to their scheduled starting time nor stay more than 7.5 minutes after their scheduled stop time without expressed, prior authorization from the department director.

The department director will review and then approve the time record before submitting it for payroll processing. In addition, if corrections or modifications are made to the time record, both the employee and the director must verify the accuracy of the changes to the time record.

(2) The following language, identified as subsection (E), Section 3.1, is **added**:

Under the laws of Kentucky, all employee compensation must be accompanied by detailed records of every employee's time at work:

1. Records of an employee's time at work are kept as a part of the county payroll system. All employees must accurately report their time spent at work.

a. The Human Resources department and the Finance Officer shall determine the format all employees shall use for recording time spent working.

i. Salaried employees shall maintain and submit a bi-weekly record of their time.

ii. Hourly employees shall always clock in to work. Employees shall not clock into work more than 7.5 minutes prior to their scheduled starting time, nor clock out of work more than 7.5 minutes after their scheduled stop time unless authorized by their supervisor.

iii. If an employee is unable to clock in due to a time clock malfunction, or forgets to clock in, the employee shall immediately notify their supervisor and/or the payroll department.

iv. All non-exempt employees shall record time spent at meals during the workday, except for 24/7 employees and those whose job descriptions specify that a significant portion of their work is done outside of the office ("field employees") Field employees shall record time spent at meals in a work-log.

v. Non-exempt employees must receive advance authorization from a supervisor before working overtime. Any change in an employee's prescribed departmental schedules must be approved in advance.

vi. Non-exempt employees shall record and report all travel performed as part of their employment, or time out of the workplace for a work related activity.

b. Tampering with or altering time clocks or the records of time spent working are criminal acts under the Kentucky Revised Statutes (see, for example, the offenses titled: "Theft by failure to make required disposition of property," "Altering Official

Records" and Official misconduct.")

c. Violation of any policy for employee time-keeping may result in severe disciplinary action:

i. Failure to clock in or out two times within a work week, or repeated instances of not clocking in or out within the allotted 15 minute window, shall trigger an administrative investigation with the possibility of disciplinary action.

2. All records of time spent at work shall be reviewed for approval by the employee's department director or a person who is authorized by the department director prior to being submitted to the designated payroll administrator.

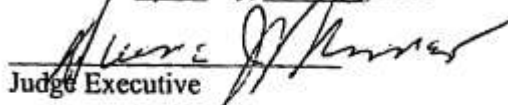
a. Department heads or their approved surrogates shall submit approved work records for a completed pay-period to the payroll administrator by 10:00 a.m. on the second Tuesday of the following pay period. If that day should fall on a holiday, time records should be submitted by 3:00 p.m. of the last day of work prior to the holiday.

b. Records to be reviewed and approved by the appropriate supervisor before being forwarded to the payroll administrator shall include:

- i. Exempt Time sheets
- ii. Work logs
- iii. Time clock records
- iv. Work-related travel and activity reports

This ordinance shall become effective upon passage and written advertisement according to law.

Dated this 17 day, June, 2008


Judge Executive

ATTEST


Tina M. Schaefer
Fiscal Court Clerk

